

Message Text

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ORIGIN INR-07

INFO OCT-01 NEA-10 ISO-00 SSM-03 OC-06 CCO-00 CIAE-00
IO-13 DODE-00 PM-04 NSC-05 SP-02 SS-15 PRS-01
EUR-12 /079 R

DRAFTED BY INR/RNA/NE:AAVACCARO:CA
APPROVED BY INR/RNA:DGNEWTON
SSM-CWKONTOS

-----060547Z 074258 /11

R 052208Z APR 77
FM SECSTATE WASHDC
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E.O. 11652: XGDS-2

TAGS: EG, IS, PINR

SUBJECT: INTSUM 288 - APRIL 5, 1977

1. LEBANON. RECENT HEAVY CLASHES IN SOUTHERN LEBANON OVER THE PAST SEVERAL DAYS HAVE RAISED THE PROSPECT THAT THE SITUATION THERE COULD DETERIORATE DANGEROUSLY. IN PREVIOUS FIGHTING, GROUND ACTION WAS LIMITED AND ARTILLERY DUELS DOMINATED THE RELATIVELY LOW-KEY BATTLES IN THE AREA. THE MOST RECENT SPATE, HOWEVER, APPEARS TO BE THE MOST SERIOUS SINCE THE CIVIL WAR, AND HAS INVOLVED LARGER FORCES AND MORE VIOLENT FIGHTING THAN IN THE PAST. SHOULD THIS FIGHTING CONTINUE ON ITS PRESENT SCALE, IT COULD HAVE SERIOUS IMPLICATIONS INTERNATIONALLY AND FOR THE SARKIS GOVERNMENT.

2. IT IS STILL TOO EARLY TO CLEARLY DISCERN, HOWEVER, WHETHER THE PALESTINIAN OFFENSIVE IS PART OF A LARGE CON- CERTED EFFORT OR MERELY ANOTHER OF THE MANY CYCLICAL ROUNDS
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OF INCREASED FIGHTING. PALESTINIAN FORCES LAUNCHED A THREE-FRONT COUNTERATTACK IN SOUTHERN LEBANON YESTERDAY.

THEY WERE ABLE TO RETAKE THE STRATEGIC VILLAGE OF TAYYIBAH AND THE SURROUNDING HILLS. THE LOSS OF TAYYIBAH WILL PLACE THE RIGHTISTS FURTHER SOUTH ALONG THE ISRAELI BORDER IN A DIFFICULT POSITION. PALESTINIAN ATTACKS WERE ALSO LAUNCHED IN THE MARJAYOUN AND THE BINT JBAYL AREAS. THESE ACTIONS APPEAR DESIGNED TO PIN DOWN RIGHTIST FORCES WHO ARE OUTMANNED BY LEBANESE LEFTISTS AND THEIR

PALESTINIAN ALLIES.

3. THE PALESTINIANS SEEM TO BE GEARING UP FOR FURTHER BATTLES. TOGETHER WITH LEBANESE LEFTISTS, THEY CALLED FOR A "GENERAL MOBILIZATION" OF THEIR FORCES IN SOUTHERN LEBANON. EMBASSY BEIRUT REPORTED THAT STUDENTS IN SIDON WERE DEMONSTRATING EARLY APRIL 4 IN FAVOR OF THE PALESTINIANS AND VOLUNTEERING TO JOIN THE BATTLE. THE EMBASSY ALSO NOTED THAT THE PALESTINIANS WERE MOVING HEAVY WEAPONS ON APRIL 2-3 FROM BEIRUT TO THE SOUTH.

4. THE BEIRUT PRESS ALSO CARRIED REPORTS THAT 700 MEN OF THE AYN JALLUT BRIGADE OF THE PALESTINIAN LIBERATION ARMY (PLA) WERE TO ARRIVE IN TYRE. (THESE REPORTS ARE PRESUMABLY A CASE OF MISTAKEN IDENTITY. THE AYN JALLUT BRIGADE IS IN EGYPT AND WE HAVE NO INDICATION THAT THEY HAVE RETURNED TO LEBANON. PART OF THE IRAQI-BACKED QADASSIYAH PLA BRIGADE HAS YET TO FIND AN ARAB STATE TO ACCEPT THEM. AFTER BEING DENIED PERMISSION TO LAND IN EGYPT AND CYPRUS THEY MAY BE RETURNING TO LEBANON.)

5. IT IS DOUBTFUL WHETHER THE PALESTINIANS WOULD BE ABLE TO MOBILIZE THEIR FORCES--IF THAT IS WHAT IS HAPPENING --WITHOUT SOME FORM OF SYRIAN APPROVAL. THERE ARE OTHER INDICATIONS THAT DAMASCUS MAY HAVE GIVEN ITS SUPPORT TO
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THE CURRENT PALESTINIAN OFFENSIVE:

--RECENT REPORTING HAS INDICATED THAT THE SYRIANS HAVE REACHED THE LIMITS OF PATIENCE TOWARDS THE HARDLINE CHRISTIANS SUCH AS SHAMOUN. ELEMENTS OF SHAMOUN'S MILITIA AND LEBANESE ARMY SUPPORTERS OF HANNA SAID ARE KEY COMPONENTS OF THE CHRISTIAN FORCES IN THE SOUTH.

--AN UNCONFIRMED REPORT SAID THAT SYRIAN ARTILLERY HAD SUPPORTED THE PALESTINIAN ATTACK ON TAYYIBAH YESTERDAY.

--AN-NAHAR, USUALLY A VERY RELIABLE NEWSPAPER, REPORTED THAT NAJI JAMIL, SYRIAN DEPUTY MINISTER OF DEFENSE

AND CHIEF OF THE AIR FORCE, ARAFAT, AND SAIQA LEADER MUHSIN, VISITED NABATIYA ON APRIL 2. NABATIYA IS THE PALESTINIAN COMMAND CENTER FOR THE TAYYIBAH REGION. EMBASSY BEIRUT COMMENTED THAT, IN THE PAST, SUCH HIGH-LEVEL SYRIAN MILITARY VISITS HAVE PRECEDED SYRIAN MILITARY MOVES IN THE SAME GENERAL AREA. IT WOULD APPEAR LIKELY THAT THE SYRIANS WERE AT LEAST INFORMED OF THE CURRENT PALESTINIAN COUNTER-OFFENSIVE IN ADVANCE.

6. YESTERDAY'S REVERSES TO THE RIGHTISTS AND WHAT

APPEARS TO BE A SYRIAN-SUPPORTED PALESTINIAN BUILD-UP ALONG THEIR BORDER CREATES DIFFICULTIES FOR TEL AVIV. THE RIGHTISTS' LACK OF MANPOWER AND THE POSSIBILITY OF SIGNIFICANT PALESTINIAN GAINS HAVE ALREADY REQUIRED THE ISRAELIS TO SHELL LEFTIST POSITIONS. TEL AVIV YESTERDAY ACKNOWLEDGED PUBLICLY THAT THEY WERE SHELLING SOUTH LEBANON. THIS IS THE FIRST SUCH DISCLOSURE IN SEVERAL MONTHS.

7. IF THE PALESTINIANS DO LAUNCH A SIGNIFICANT OFFENSIVE, IT IS UNLIKELY THAT THE RIGHTISTS COULD HOLD THEIR OWN. THE ISRAELIS WOULD THEN BE FACED WITH THE CHOICE OF THEIR SECRET

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ALLIES BEING DEFEATED AND A HEAVILY-ARMED PALESTINIAN PRESENCE BEING ESTABLISHED ON THE BORDER OR TAKING PREVENTIVE ACTION THEMSELVES. IN ORDER TO TRY TO FORESTALL SUCH AN UNPLEASANT CHOICE, TEL AVIV IN THE IMMEDIATE FUTURE MIGHT INCREASE ITS ASSISTANCE TO THE RIGHTISTS AND FACILITATE THE TRANSFER OF CHRISTIANS FROM MOUNT LEBANON VIA ISRAEL TO THE SOUTHERN BATTLEFIELDS IF THEY JUDGE THAT A CONCERTED OFFENSIVE IS LIKELY.

8. THE HEADMASTER OF BEIRUT'S ALLIANCE ISRAELITE RECENTLY TOLD EMBASSY BEIRUT THAT THERE ARE ABOUT 1,000 JEWS IN LEBANON. HE SAID THAT THEY MAY ENTER AND LEAVE THE COUNTRY FREELY, AND NOTED THAT NEITHER LEBANESE AUTHORITIES, SYRIAN ASF FORCES, NOR PALESTINIANS CAUSE SERIOUS PROBLEMS FOR LOCAL JEWS. (SECRET)

9. ISRAEL. FOREIGN MINISTER ALLON EXPRESSED HIS CONCERN TO CHARGE DUNNIGAN OVER THE POSSIBILITY THAT SADAT MIGHT BE GIVEN PROMISES OF US ARMS AID DURING HIS US VISIT. IN ALLON'S VIEW, US TRANSFERS TO EGYPT WOULD "DAMAGE" THE PEACE PROCESS. OUR CHARGE COMMENTED THAT THE ISRAELIS HAVE BEEN WATCHING THE SADAT VISIT WITH APPREHENSION, IN THE BELIEF THAT SADAT'S "REASONABLE"

ATTITUDE WILL BLIND US LEADERS TO WHAT THE ISRAELIS CONSIDER TO BE HIS UNYIELDING POSITIONS ON KEY ISSUES, SUCH AS THE PALESTINIANS AND BORDERS.

10. ARYE DULZIN, A LEADING FIGURE IN ISRAEL'S LIBERAL PARTY (PART OF THE OPPOSITION LIKUD BLOC), COMMENTED TO EMBASSY TEL AVIV THAT HE SEES THE ELECTION CONTEST BETWEEN LABOR AND THE LIKUD AS VERY CLOSE, WITH EITHER PARTY WINNING 37-42 SEATS AND YADIN'S DMC TAKING 10-13 SEATS. IN HIS ESTIMATION, WHICHEVER OF THE TWO LARGEST GROUPS WINS THE MOST SEATS WILL THEN FORM A COALITION WITH THE DMC AND THE NATIONAL RELIGIOUS PARTY. DULZIN SECRET

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BELIEVES, HOWEVER, THAT THIS PROCESS OF FORMING A GOVERNMENT WILL BE PROTRACTED AND WILL LIKELY RESULT IN AN UNSTABLE AND WEAK GOVERNMENT MAJORITY IN THE KNESSET.

11. MOSHE DAYAN ANNOUNCED SUNDAY THAT HE WOULD SUPPORT THE LABOR PARTY IN THE UPCOMING ISRAELI ELECTIONS, ACCORDING TO THE ISRAELI PRESS. REPORTS HAD CIRCULATED IN ISRAEL RECENTLY THAT DAYAN WOULD QUIT LABOR DUE TO DIFFERENCES OVER TERRITORIAL CONCESSIONS. IN ANNOUNCING HIS DECISION, DAYAN SAID THAT HE HAD RECEIVED PRIVATE WRITTEN ASSURANCES FROM LABOR'S LEADERS THAT NEW KNESSET ELECTIONS WOULD BE HELD BEFORE ANY FINAL PEACE AGREEMENT WAS SIGNED BY ISRAEL. (CONFIDENTIAL)

12. EGYPT. IN ITS FIRST PUBLIC COMMENT ON SADAT'S TRIP TO EUROPE AND THE US, MOSCOW RADIO YESTERDAY ATTACKED THE EGYPTIAN LEADER. PICKING UP ON A STATEMENT REPORTEDLY MADE BY SADAT IN BONN THAT THE SOVIET UNION WAS TRYING TO CONTROL THE MEDITERRANEAN REGION, THE ARAB-LANGUAGE BROADCAST CHARGED THAT:

--"TWO OR THREE YEARS AGO EVEN THE EGYPTIAN PRESIDENT... FREQUENTLY PRAISED SOVIET POLICY IN THIS REGION. SINCE THEN, NO CHANGE HAS OCCURRED IN THIS POLICY. HOWEVER, THIS CANNOT BE SAID ABOUT THE POLICY OF THE EGYPTIAN LEADERSHIP."

--CAIRO IS TURNING TOWARDS THE WEST TO SOLVE ITS ECONOMIC AND POLITICAL PROBLEMS AND EXPECTS TO EARN WESTERN FINANCIAL ASSISTANCE BY CONJURING UP AN "IMAGINARY SOVIET THREAT."

13. THE SOVIET DCM IN CAIRO ADMITTED TO EMBASSY CAIRO THAT THE INITIAL EGYPTIAN REACTION TO BREZHNEV'S MIDEAST STATEMENT HAD BEEN UNFAVORABLE, BUT SAID THAT THE EGYPTIANS NOW CONSIDERED IT "POSITIVE" AFTER A CAREFUL SECRET

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READING OF THE FULL TEXT. EMBASSY CAIRO COMMENTED, HOWEVER, THAT EGYPTIAN OFFICIALS STILL BELIEVE THE TIMING OF THE SPEECH WAS IMPORTANT--AFTER THE PNC MEETING AND PRESIDENT CARTER'S MIDEAST REMARKS--AND STILL PERCEIVE IT TO BE SOME SORT OF GESTURE TOWARDS ISRAEL.

14. EGYPT. ACCORDING TO THE US NAVAL ATTACHE IN CAIRO, THERE HAVE BEEN A NUMBER OF REPORTED ATTEMPTS TO INTERFERE WITH SUEZ CANAL OPERATIONS. ON A VISIT TO THE SUEZ CANAL AUTHORITY HEADQUARTERS IN PORT SA'ID, HE WAS TOLD OF ONE SUCH INCIDENT, WHICH HAD OCCURRED EARLY ON 29 MARCH. AN UNKNOWN ENTITY, TRANSMITTING ON THE CANAL'S

VHF FREQUENCY, ORDERED SHIPS IN THE PORT SA'ID OUTER ROADSTEAD TO ENTER THE HARBOR PREPARATORY TO SOUTHBOUND TRANSIT. AT THE SAME TIME, A NORTHBOUND CONVOY FROM SUEZ, INCLUDING LOADED TANKERS, WAS STILL EXITING THE CANAL. HAD THE ORDER NOT BEEN COUNTERMANDED. THERE WOULD HAVE BEEN A COLLISION THAT COULD HAVE BLOCKED THE HARBOR ENTRANCE.

15. FOUR DAYS EARLIER, ACCORDING TO CANAL AUTHORITIES, A FALSE RUMOR HAD BEEN SPREAD THROUGHOUT SHIPPING CIRCLES, THAT THE CANAL WAS CLOSED INDEFINITELY BECAUSE OF A COLLISION IN THE CANAL BETWEEN TWO TANKERS. WHILE THE ATTACHE REPORTED THAT HE COULD NEITHER CONFIRM NOR DENY THESE STORIES, IT IS GENERALLY BELIEVED BY THE SHIPPERS THAT THESE TWO INCIDENTS DID TAKE PLACE AND WERE RELATED. THERE IS NO INFORMATION TO INDICATE WHO MIGHT HAVE BEEN BEHIND THESE ALLEGED INCIDENTS.

16. THE EGYPTIAN NAVY MAY BE SEEKING THE ADDITION OF A LIMITED NAVAL AIR ARM. IF SO, ANY NAVAL AIR EQUIPMENT OR TRAINING WOULD BE SOUGHT IN THE WEST, AND THE US WOULD BE HIGH ON CAIRO'S LIST OF POTENTIAL SOURCES OF SUPPLY AND ASSISTANCE. THERE IS AN OUTSIDE CHANCE
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SADAT MIGHT RAISE THE SUBJECT DURING HIS VISIT.

17. THE COMMANDER IN CHIEF OF THE EGYPTIAN NAVY, ADMIRAL REFAAT, RECENTLY TOLD OUR NAVAL ATTACHE OF HIS HOPE TO ACQUIRE AN AIR CAPABILITY ORGANIC TO THE NAVY. SINCE THE EGYPTIAN NAVY RARELY OPERATES VERY FAR FROM THE COAST, ACCORDING TO REFAAT, FIGHTER COVER SHOULD BE PROVIDED BY THE AIR FORCE, BUT OTHER "PURELY MARITIME"

MISSIONS SUCH AS PATROL, RECONNAISSANCE, ANTI-SUBMARINE WARFARE AND SEARCH AND RESCUE SHOULD BE ACCOMPLISHED BY NAVAL OFFICERS PILOTING EGYPTIAN NAVAL AIRCRAFT. ACCORDING TO ANOTHER REPORT, REFAAT HAS ALREADY REQUESTED HELICOPTER PILOT TRAINING IN THE UK FOR A NUMBER OF EGYPTIAN NAVAL OFFICERS.

18. GIVEN EGYPT'S OTHER MILITARY REQUIREMENTS AND THE POTENTIAL INTER-SERVICE RIVALRY OVER RESPONSIBILITIES AND EQUIPMENT, REFAAT MAY HAVE ONLY BEEN THINKING OUT LOUD. NEVERTHELESS, THE EXTENSION OF RECONNAISSANCE, PATROL AND ASW OPERATIONS FURTHER OUT TO SEA WOULD BE A LOGICAL GROWTH OF EGYPT'S NAVAL CAPABILITIES, AND ONE WHICH COULD ALSO ACT AS A CONFIDENCE-BUILDING MEASURE. IT WOULD NOT, HOWEVER, ADD TO EGYPT'S OFFENSIVE CAPABILITY VIS-A-VIS ISRAEL AND WOULD NOT THEREFORE UPSET THE MILITARY BALANCE. (SECRET)

19. SYRIA. SYRIA IS IN THE MIDST OF ANOTHER SERIOUS FOREIGN EXCHANGE SHORTAGE THAT COULD CAUSE WIDESPREAD ECONOMIC DISLOCATION. A LACK OF ARAB AID PAYMENTS DURING THE FIRST QUARTER OF 1977 AND UNFORESEEN COSTS OF THE OCCUPATION OF LEBANON HAVE HELPED DEplete SYRIAN FOREIGN EXCHANGE RESERVES. ACCORDING TO ONE SOURCE, RESERVES DROPPED FROM \$300 MILLION AT THE END OF 1976 TO A CURRENT DAILY BALANCE THAT APPROACHES ZERO.

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20. THE STATE-OWNED COMMERCIAL BANK OF SYRIA IS APPARENTLY DELAYING PAYMENT TO FOREIGN BANKS ON LETTERS OF CREDIT ESTIMATED AT BETWEEN \$300 MILLION AND \$480 MILLION. NEW LINES OF CREDIT MAY BE MORE DIFFICULT TO PROCURE IF CURRENT OBLIGATIONS ARE NOT SETTLED SOON. SYRIA HAD A SIMILAR PROBLEM DURING THE FIRST HALF OF LAST YEAR. SAUDI ARABIA WITHHELD AID PAYMENTS TO KEEP A REIN ON SYRIAN INVOLVEMENT IN LEBANON AND TO FORCE PRESIDENT ASAD TO PATCH UP HIS RELATIONS WITH THE EGYPTIANS. DESPITE THE RESUMPTION OF AID DURING THE SECOND HALF OF 1976, SYRIA WAS FORCED TO DRAW DOWN FOREIGN EXCHANGE RESERVES BY \$400 MILLION AND TO BORROW HEAVILY FROM ITS CENTRAL BANK.

21. THE USSR, WHICH IS UPSET ABOUT SYRIA'S INVOLVEMENT
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IS REPORTEDLY REQUIRING CASH FOR ALL OF SYRIA'S MILITARY PURCHASES INCLUDING SPARPARTS AND REPLACEMENT EQUIPMENT. THE SOVIETS ALSO APPEAR TO BE INSISTING ON PROMPT PAYMENT OF ALL EXISTING FINANCIAL OBLIGATIONS AS THEY BECOME DUE.

22. INVOLVEMENT IN LEBANON CONTINUES TO BE THE SINGLE GREATEST DRAIN ON SYRIAN RESOURCES. THE ASAD REGIME GROSSLY UNDERESTIMATED THE COST OF MAINTAINING ITS PRESENCE IN LEBANON. ARAB LEAGUE MEMBERS AGREED LAST YEAR TO PROVIDE SYRIA \$90 MILLION OVER A SIX-MONTH PERIOD TO DEFRAY OPERATIONAL COSTS IN LEBANON, BUT THE TOTAL COSTS FOR THIS PERIOD NOW APPEAR TO BE IN THE NEIGHBORHOOD OF \$150 MILLION. ACTUAL ARAB CONTRIBUTIONS SO FAR REPORTEDLY HAVE REACHED \$60 MILLION.

23. WE SEE LITTLE LIKELIHOOD OF ANY IMPROVEMENT IN SYRIA'S FINANCIAL POSITION UNTIL ARAB PAYMENTS RESUME. SYRIA'S ABILITY TO MANAGE FOREIGN EXCHANGE FLOWS IS HANDICAPPED BY THE FACT THAT ITS PRIMARY EXPORT, PETROLEUM,
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IS SOLD ALMOST EXCLUSIVELY ON THE SPOT MARKET. OIL SALES,

ESTIMATED AT ROUGHLY \$700 MILLION DURING 1977, FLUCTUATE
GREATLY FROM MONTH TO MONTH. IN ANY CASE OIL REVENUES
ARE NOT SUFFICIENT TO COVER FOREIGN EXCHANGE REQUIREMENTS,
WHICH AVERAGE AT LEAST \$150 MILLION PER MONTH. (SECRET)

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Message Attributes

Automatic Decaptioning: X
Capture Date: 22-Sep-1999 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INTELLIGENCE ASSESSMENTS, POLITICAL SUMMARIES
Control Number: n/a
Copy: SINGLE
Sent Date: 05-Apr-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977STATE075845
Document Source: ADS
Document Unique ID: 00
Drafter: INR/RNA/NE:AAVACCARO:CA
Enclosure: n/a
Executive Order: 11652 XGDS-2
Errors: n/a
Expiration:
Film Number: D770119-0399
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t197704103/baaaevpw.tel
Line Count: 334
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, TEXT ON MICROFILM
Message ID: 11243e9c-c288-dd11-92da-001cc4696bcc
Office: ORIGIN INR
Original Classification: SECRET
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 7
Previous Channel Indicators:
Previous Classification: SECRET
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags: ANOMALY
Review Date: 25-Mar-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2668249
Secure: OPEN
Status: NATIVE
Subject: INTSUM 288 - APRIL 5, 1977
TAGS: PINR, PFOR, EG, IS, XF
To: SINAI
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/11243e9c-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009